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ARTICLES:

(1) Prime minister's replies in interpellation session

YOMIURI (Page 13) (Excerpts)  
January 24, 2006

(US beef)

The US must abide by the rules agreed on between Japan and the  
US. Japan has asked the US government to probe into the cause of  
the incident and come up with preventive measures. Regarding a

measure to mandate keeping the track records of imported beef, such a requirement might become a problem in terms of international agreement, so we will fully discuss the matter in a cautious manner.

(Asia diplomacy)

Establishing an affluent and stabilized Asia is indispensable for the safety and prosperity of Japan. We will aim at creating an open Asia that respects freedom and democracy while recognizes its diversity.

(Japan-China, Japan-South Korea relations)

China and South Korea are important neighbors for our country, and Japan is willing establish a future-oriented relationship with these countries based on mutual understanding and trust by deepening bilateral cooperation from an overall perspective, although we certainly have different perceptions on some issues.

(Japan-North Korea talks)

We will take up various issues, including abduction, security, and diplomatic normalization, in a drive to improve overall relations between Japan and North Korea. On the abduction issue - Japan's top diplomatic priority, the government will do its utmost to settle the issue, while urging Pyongyang to send Japanese abductees still in the North back to Japan, uncover the details of each case, and to hand over suspects to Japanese authorities.

(Japan-North Korea normalization talks)

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The government still stands fast on the position of never establishing diplomatic ties with North Korea unless a comprehensive settlement is reached on the abduction issue, and the issue of North Korea's nuclear and missile development programs. Based on this policy stance, Japan will engage in talks with North Korea.

(Japan-US alliance)

The Japanese and US governments, in cooperation with many countries in the world, will jointly address various issues facing the international community. In last fall's summit, we agreed on the need to strengthen the Japan-US alliance in a global context.

(Suicide of diplomat at Consulate General in Shanghai)

The government has protested to the Chinese government and urged it to investigate the facts in the case. We are determined to find out the truth, while discussing this issue in the Diet.

(US force realignment in Okinawa)

The current plan to realign the US forces in Japan was put together based on the judgment that it was the best for maintaining the current level of deterrence and lightening the security burden on Japan. In an effort to reduce the burden on Okinawa, relevant cabinet ministers have visited potential candidate sites and given explanations to local communities on the contents and direction of the plan. The government will continue to make efforts to obtain local understanding and cooperation in order to spur Okinawa development.

(2) Missile data leak exposes North Korea's continued spy activities in Japan to collect intelligence

SANKEI (Page 30) (Full)  
January 24, 2006

Another case illustrating North Korea's illicit activities to collect Japan's defense intelligence has come to light. The

Korean Association of Science and Technology in Japan (KAST) has obtained research data on the development of a new missile system, sources said yesterday. North Korean spy cases cracked by police authorities have testified to the fact that collecting intelligence on Japan's defense capability has been one of the important duties for North Korean agents, according to a police source.

Many spy cases involving North Korean agents have come to light since 1975, such as the Fuse case (cracked in 1976 by the Osaka Prefectural Police), Toyoshima case (1977, Tokyo Metropolitan Police Department), and Hyuga case (1981, Miyazaki Prefectural Police). They revealed that the mission of North Korean spies in Japan is to collect intelligence on the Self-Defense Forces.

In March 1985, the Metropolitan Police Department also cracked the Nishiarai case in which a North Korean spy named Pak had carried out activities for 15 years under the guise of a Japanese citizen to recruit spies for North Korea, run a spy base in the Far East Asia, and collect intelligence on Japan's defense capability. Repatriated abductee Kaoru Hasuike, 48, has also

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indicated that a group of North Korean agents including "Pak" had abducted him to the North.

The acquisition of the Ground Self-Defense Force's new surface-to-air missile system by KAST under the pro-Pyongyang General Association of Korean Residents in Japan can easily be regarded as part of North Korea's long term efforts to collect Japan's defense intelligence.

A source familiar with defense affairs noted:

"Ballistic missiles typified by the Rodong are vital strategic weapons to North Korea. Collecting technical data on Japan's defense equipment against ballistic missiles, such as the Aegis system and a successor to the medium-range surface-to-air (SAM) missile system, is expected to remain as a vital activity for North Korea."

(3) Livedoor loses main pillar with arrest of President Horie

ASAHI (Page 2) (Excerpts)  
January 24, 2006

The special investigation squad of the Tokyo Public Prosecutors Office yesterday arrested Livedoor Co. President Takafumi Horie. With the arrest of its president, the Livedoor group, which has run businesses beyond its real strength based on the value of its shares, has now lost its main pillar. The arrest of Horie, who has led the group as a kind of billboard, and of three other company executives on suspicion of violating the Securities and Exchange Law will rock the company to its foundation. The ruling Liberal Democratic Party (LDP), which was involved in Horie's candidacy in last September's House of Representatives election, appears shocked by his arrest. Dark clouds have now begun to gather over Prime Minister Koizumi's structural reform initiative.

Koizumi government shaken

"If they really violated the law, I think it is only natural that they are being thoroughly investigated," Koizumi told reporters last night.

Asked whether he felt a sense of apprehension about his policy of economic vitalization through free market competition after learning of the Livedoor scandal, Koizumi flatly responded, "They are two different matters."

The LDP unofficially backed Horie in last year's Lower House general election. Last August then LDP Acting Secretary General Shinzo Abe characterized Horie as a symbol of Koizumi's structural reform drive, stating, "New businesses have been created by the Koizumi structural reform initiative." On the

first day of the official campaign for the Lower House election, Heizo Takenaka, then minister in charge of economic and fiscal policy, stated, "Prime Minister Koizumi, Mr. Horie and I will band together." Secretary General Tsutomu Takebe praised Horie last September, saying, "Mr. Horie and Prime Minister Koizumi are like a father and son. (The prime minister) is like my brother and (Mr. Horie) is like my son."

Last night, however, Takebe released this comment on the arrest of Horie: "If the charges against him are proved, misleading the

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market and investors is serious. His arrest is regrettable because I expected much of him as a manager in a new era." New Komeito Secretary General Tetsuzo Fuyushiba told reporters: "I think you in the mass media gave him much praise. What do you think about him now?"

The scandal has now become a major issue at the ongoing Diet session. The opposition camp is stepping up its offense. Minshuto (Democratic Party of Japan) President Seiji Maehara last night stated: "The LDP bears grave responsibility for its support for him in the election. I intend to pursue thoroughly the LDP's moral responsibility." The Japanese Communist Party released a comment that went: "The Koizumi Cabinet has pressed forward with deregulatory measures encouraging a money game." The Social Democratic Party released a statement: "The government and LDP should make efforts to shed light on the scandal and prevent a recurrence, summoning those involved to testify to the Diet."

A former cabinet member of the ruling camp said, "The LDP cannot evade its moral responsibility." An aide to the prime minister claimed: "No negative impact will be on the prime minister because he did not go to the electoral district and the LDP did not endorse (Horie). But Mr. Takebe and Mr. Takenaka feel embarrassed."

Another former cabinet minister said: "Support rates for the LDP have begun to decline gradually. The party will suffer a body blow (with the Horie scandal)."

(4) With Shimabukuro elected as Nago mayor, government to start Futenma talks full-scale

NIHON KEIZAI (Page 2) (Full)  
January 23, 2006

Yoshikazu Shimabukuro won the mayoral election in Nago City, Okinawa Prefecture, yesterday. Shimabukuro is more flexible than the other two candidates toward holding talks with the government on the issue of relocating the US Marine Corps Futenma Air Station. Following his election, the government will step up efforts to persuade local communities to accept the government's plan to transfer the heliport functions to their city. Although Shimabukuro is calling for overhauling the plan, the government intends to try to gain local support by presenting economic rehabilitation measures, based on the judgment that "it is impossible to revamp the agreement reached between Japan and the US." Since there is no time to waste, no one can predict whether the impasse will actually be broken on the Futenma relocation issue.

Government to present economic promotion measures to have local communities host US bases

"We understand that the government's base realignment proposals have been accepted," said Chief Cabinet Secretary Shinzo Abe in a statement issued last night welcoming the outcome of the Nago mayoral election. Defense Agency (JDA) Director General Fukushiro Nukaga also expressed in a statement his expectation for local communities' acceptance of the government plan, saying: "I would like to give explanations with sincerity and conduct discussion in a construction manner now."

But although Shimabukuro was elected, it is unlikely that prospects for a settlement of the Futenma issue will immediately brighten. Shimabukuro has indicated that he would hold talks with the government if an amendment plan is submitted, but it remains unknown what revisions he is willing to accept. Under the present situation, the Japanese and US governments will be able to slightly alter the direction of the runway in order to somewhat change flight courses," according to a senior JDA official.

In order to get local agreement for its plan, what the central government can do now is to emphasize the presence of US bases for the nation's security interests. Given this, the government intends to come up with economic rehabilitation measures. The government will hurriedly look into large-scale infrastructure projects, such an extension of express highways and the monorail line, as well as an expansion of Naha Airport.

Even if Nago City accept the government plan, however, Governor Keiichi Inamine's approval will be necessary. The construction period is said to be about five years. In order to complete the construction work by fiscal 2012 as requested by the US, it is necessary to launch a feasibility study regarding environmental protection and other matters as soon as possible. Inamine is unlikely to run in the gubernatorial election in November, but the governor of each prefecture has authority to authorize the use of public waters, so approval from the governor will become necessary while Inamine stays in office.

In the government, some take an optimistic view, with one official saying: "Should Nago give the nod, the governor may find it difficult to decline the plan." It is also conceivable, though, that the governor may hold fast to an agreement reached between the central and Okinawa governments to build a military-civilian airport on reclaimed land to the last. In such a case, it would become necessary for the government to enact special legislation to shift the reclamation right now given to governors from them to the central government.

The government plans to submit bills related to US force realignment in Japan to the Diet in April. It will be pressed to make a decision on whether to incorporate the legislation on reclamation authority in the bills.

(5) Japanese companies eager to launch overseas projects to reduce CO2 to acquire emission rights in return; Nippon Steel wins China's approval as first case in industry; Richo provides energy saving assistance in India

NIHON KEIZAI (Page 11) (Abridged)  
January 21, 2006

Japanese corporations, such as Nippon Steel Corp. and Richo Company, Ltd., have actively been launching overseas projects to reduce greenhouse gas emissions. As a country ratified the Kyoto Protocol, Japan is required to reduce greenhouse gas emissions, but the country is finding it increasingly difficult to meet its targets, given the economy which has finally begun picking up. As a result, an increasing number of Japanese companies from trading firms to power companies to manufacturers have begun turning their eyes to foreign countries to find a way out. The government approved 23 such overseas projects last year, about four times the number recorded in 2004.

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Last year, Japanese firms received government approval to launch overseas projects that would allow them to have the right to emit gases equivalent to an annualized 28 million tons of carbon dioxide (CO2), which corresponds to 37 percent of the country's annual reduction target. The government started allowing Japanese companies to embark on overseas greenhouse reduction projects in 2002. In 2004, the government gave the go ahead to six projects.

An increasing number of firms are applying for government approval with an eye on the reduction period between 2008 and 2012.

Manufacturing firms have particularly been eager to launch foreign projects, as their efforts to reduce emissions of CO2 in Japan have been less than satisfactory due to the construction of new plants and other factors. The greenhouse gas reduction business has traditionally been limited to trading firms and power companies in anticipation of greater demand for energy. Last year, Japan Steel obtained approval in China as the first Japanese steel steelmaker.

Richo has also won the emission right overseas as the first case in the precision industry with a view to greater production of high-definition toners in Japan. The government has also approved a project by a firm operating a greenhouse gas reduction fund financed by 33 companies, including Toyota Motor, Sony, and Sharp.

Earlier this year, the government decided to entrust Japan Steel to assist India's Tata Steel in reducing CO2. The steel industry accounts for 41.9 percent of greenhouse gases emitted by Japan's industrial and energy sectors. Although emissions were on the decline in the past, growing plans to increase high-grade steel products have made it difficult to reduce emissions. The JFE Group is also likely to make a move to win emission rights.

Matsushita Electric, which has decided to build an additional plasma display panel plant in Japan, is planning to win emission rights by saving energy at its Malaysia plant.

Under the Kyoto Protocol, Japan is required to reduce between 2008 and 2012 the collective emissions of greenhouse gases by six percent from the 1990 levels. But in 2004, Japan's total emissions of gases from industries and households grew 7.4 percent from the 1990 levels. Although Japanese companies are endeavoring to cut back on gas emissions voluntarily, the government may press Japanese industries harder to control emissions.

#### Projects offering emission rights to Japanese corporations

Company	Country	Project
Nippon Steel Corp.	Mitsubishi Corp.	China
Collecting and degrading hydrochlorofluorocarbon		
Richo Co.	India	Reducing CO2
Richo Co.	El Salvador	Reducing CO2
Japan Carbon Finance, Ltd.	South Africa	Collecting and burning methane
JMD	China	Collecting and degrading hydrochlorofluorocarbon
Shimizu Corp.	Armenia	Collecting methane for power generation

Note: Japan Carbon Finance is the company operating the Japan Greenhouse Gas Reduction Fund financed by 33 Japanese companies,

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including Toyota Motor and Sharp. JMD is a company financed by JGC Corp. and Marubeni Co.

#### Overseas projects less costly

An increasing number of Japanese manufacturers are trying to obtain emission rights by cutting back on greenhouse gas emissions abroad in view of playability. Although their Japanese plants have taken various measures to increase production efficiency and introduce energy-saving equipment, investments in such efforts are sometimes too costly. In contrast, costs for acquiring emission rights in other countries are cheaper, allowing Japanese firms to export energy-saving technologies, as well. Each company's strategy to reduce greenhouse gases is likely to affect their competitiveness in the long run.

A Nihon Keizai Shimbun survey showed that reducing one ton of greenhouse gases costs 90,000 yen in Japan, an advanced country

in energy saving. The cost for acquiring emission rights is 5 to 10 dollars. Although the price may go up with an intensifying race for emission rights between industrialized countries, the price is still low at present.

METI: 11 industries acquired or studying acquiring emission rights

The number of industries acquired or considering acquiring greenhouse gas emission rights has increased from six last year to 11, the Ministry of Economy, Trade and Industry (METI) announced Jan. 20. Industries began considering acquiring rights include industrial machinery, machine tool, and bearing. The METI announcement testified to growing interest in emission rights by manufacturers, in addition to the electrical and electronics industries, which have already acquired some rights.

(6) Editorial: Nago mayoral election; Don't misread the popular will

TOKYO SHIMBUN (Page 5) (Full)  
January 24, 2006

In the latest Nago mayoral election, the center of contention was whether to approve hosting an alternate base for the US Marine Corps' Futenma Air Station. Yoshikazu Shimabukuro, who has indicated a readiness to hold talks with the government on the issue, was elected. Shimabukuro, though, is also opposed to the current relocation plan. We hope that the government will reach a settlement that reflects the popular will.

"All the three candidates are opposed to the coastal plan," said Okinawa Governor Keiichi Inamine when he met Defense Agency Director General Fukushiro Nukaga and other officials in Tokyo on Jan. 23, the day after the mayoral election.

Inamine implied that the victory of Shimabukuro would not necessarily lead to the Nago government's approval of the current plan agreed on by the Japanese and US governments last fall to relocate Futenma airfield's heliport functions to a coastal area of Camp Schwab in the Henoko district of Nago. Inamine apparently tried to apply pressure to future moves by the government.

The two other candidates were Munehiro Gakiya and Yoshitmi

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Oshiro. Both were against the plan. Shimabukuro said: "If the government presents a modified plan that can convince the local community, I will hold talks with the government." Since he made this remark, the focus of attention was focused on policy approaches to the Futenma relocation issue. As said by Governor Inamine, the three candidates all opposed the coastal plan in the election campaigning, and this fact carries heavy meaning.

Shimabukuro, though, took the strategy of underlining the need to promote the local economy, without referring to the base issue in his first statement on the day of official announcement of the election. He proudly raised the daruma (good luck doll) given him by Chief Cabinet Secretary Shinzo Abe.

Some observers harbor concern that Shimabukuro might accept the coastal plan even if the government fails to revise the current plan or present additional economic promotion measures.

Shimabukuro has voiced opposition to the coastal plan. If the government does not come up with a bold revision plan without taking into consideration such factors as residents' safety, noise control engineering, and environmental protection, he should never give the plan the nod.

On the other hand, the government should not take the election outcome as the public's consent to the coastal plan. If that is the case, it will misjudge the public's will. The government should brace up to address the difficult task of revamping the current plan.

The Japanese and US governments mapped out the current coastal plan after hard efforts because no progress was made in construction work off the Henoko district in accordance with the initial plan due to strong protests by residents. The plan was initially designated as an interim report. Despite this, the US has no intention to alter it.

In the earlier Japan-US defense summit, Defense Agency Director General Nukaga asked at the outset: "Concessions from the US are necessary in order to make realignment talks successful," but no reply came from the US side. He thus failed to get new materials to persuade local communities.

The government first must seriously consider why local communities are opposed to the coastal plan and what measures will be able to convince them. The government then should work out a revision plan and present it to the US. There is no need to hang onto the March 31 deadline for a final report.

The Futenma Air Station - surrounded by densely populated residential areas - has continued to threaten the safety of residents. It is an urgent task to stop using Futenma, but if a second Futenma is built, it would be a meaningless move.

SCHIEFFER